

L 3 COMMUNICATIONS HOLDINGS INC
Form DEF 14A
March 21, 2006
SCHEDULE 14A

(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

L-3 COMMUNICATIONS HOLDINGS, INC.

(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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1. Amount previously paid:
2. Form, Schedule or Registration Statement No.:
3. Filing Party:
4. Date Filed:

L-3 COMMUNICATIONS HOLDINGS, INC.

To Our Stockholders:

On behalf of the Board of Directors, I cordially invite you to attend the Annual Meeting of Stockholders of L-3 Communications Holdings, Inc., to be held at 2:30 p.m., eastern daylight time, on Tuesday, April 25, 2006, at the New York Palace Hotel located at 455 Madison Avenue, New York, New York. The formal notice and proxy statement for the Annual Meeting are attached to this letter.

To have your vote recorded, you should vote by telephone or over the Internet or sign, date and return your proxy card in the enclosed envelope as soon as possible, even if you currently plan to attend the Annual Meeting. By doing so, you will ensure that your shares are represented and voted at the meeting. If you decide to attend, you can still vote your shares in person, if you wish. Please let us know whether you plan to attend the meeting by marking the appropriate box on the proxy card or indicating your plans when prompted over the telephone or Internet voting systems.

On behalf of the Board of Directors, I thank you for your cooperation and look forward to seeing you on April 25th.

Very truly yours,
Frank C. Lanza
Chairman and Chief Executive Officer

L-3 COMMUNICATIONS HOLDINGS, INC.

NOTICE OF 2006 ANNUAL MEETING OF
STOCKHOLDERS AND PROXY STATEMENT

Notice is hereby given that the 2006 Annual Meeting of Stockholders (the "Annual Meeting") of L-3 Communications Holdings, Inc. will be held at the New York Palace Hotel located at 455 Madison Avenue, New York, New York on Tuesday, April 25, 2006, at 2:30 p.m., eastern daylight time, for the following purposes:

1. Election of three Class III Directors whose terms expire in 2009;
2. Ratification of the appointment of our independent registered public accounting firm for 2006;
and
3. Transaction of such other business as may properly come before the Annual Meeting and any adjournments thereof.

By Order of the Board of Directors
Christopher C. Cambria
Senior Vice President, Secretary and General
Counsel

March 20, 2006

IMPORTANT

Whether or not you currently plan to attend the Annual Meeting in person, please vote over the telephone or the Internet or complete, date, sign and return promptly the enclosed proxy in the envelope provided for that purpose. You may revoke your proxy if you attend the Annual Meeting and wish to vote your shares in person.

L-3 Communications Holdings, Inc.
600 Third Avenue
New York, New York 10016

PROXY STATEMENT

This proxy statement is furnished to the holders of the common stock, par value \$0.01 per share, of L-3 Communications Holdings, Inc. in connection with the solicitation of proxies for use at the 2006 Annual Meeting of Stockholders to be held at the New York Palace Hotel located at 455 Madison Avenue, New York, New York at 2:30 p.m., eastern daylight time, on Tuesday, April 25, 2006 (the "Annual Meeting").

RECORD DATE

The board of directors has fixed the close of business on March 17, 2006 as the record date for the Annual Meeting (the "Record Date"). Only stockholders of record at the Record Date (the "Stockholders") are entitled to notice of and to vote at the Annual Meeting or at any adjournments thereof, in person or by proxy. At the Record Date, there were 121,764,700 shares of our common stock outstanding. This proxy statement, the accompanying proxy card, our Summary Annual Report and our Annual Report on Form 10-K are intended to be mailed on or about March 20, 2006 to each Stockholder entitled to vote at the Annual Meeting.

PROXIES

The proxy accompanying this proxy statement is solicited on behalf of our board of directors for use at the Annual Meeting and any adjournments of the Annual Meeting, and the expenses of solicitation of proxies will be borne by us. The solicitation will be made primarily by mail, but our officers and regular employees may also solicit proxies by telephone, telegraph, facsimile, via the Internet or in person. We also have retained Georgeson Shareholder Services to assist in soliciting proxies. Each holder of common stock is entitled to one vote for each share of our common stock held by such holder. The holders in person or by proxy of a majority of the common stock entitled to be voted at the Annual Meeting shall constitute a quorum.

Each Stockholder may appoint a person (who need not be a stockholder) other than the persons named in the enclosed proxy to represent him or her at the meeting by completing another proper proxy. In either case, such completed proxy should be returned in the enclosed envelope provided for that purpose for delivery before the meeting or should be delivered to our Secretary at 600 Third Avenue, New York, New York 10016, not later than 5:00 p.m., eastern daylight time, on Monday, April 24, 2006.

Any proxy delivered pursuant to this solicitation is revocable at the option of the person(s) executing the proxy upon our receipt, prior to the time the proxy is voted, of a duly executed instrument revoking it, or of a duly executed proxy bearing a later date, or in the case of death or incapacity of the person(s) executing the proxy, of written notice of such death or incapacity, or by such person(s) voting in person at the Annual Meeting. Unless revoked, all proxies representing shares entitled to vote that are delivered pursuant to this solicitation will be voted at the Annual Meeting and, where a choice has been specified on the proxy card, will be voted in accordance with such specification. Where a choice has not been specified on the proxy card, the proxy will be voted in accordance with the recommendations of our board of directors.

Assuming a quorum is present, a majority of the shares of common stock present in person or represented by proxy at the Annual Meeting is required for the election of directors and for approval of all other items submitted to

Stockholders for their consideration. Abstentions and instances where brokers are prohibited from exercising discretionary authority for beneficial owners who have not returned a proxy (so-called "broker non-votes") will be counted for purposes of determining a quorum, but will not be counted as either voting for or against any proposal.

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VOTING BY TELEPHONE OR INTERNET

Instead of submitting your vote by mail on the enclosed proxy card, you can vote by telephone or over the Internet. The telephone and Internet voting procedures, which comply with Delaware law, are designed to authenticate Stockholders' identities, to allow Stockholders to vote their shares and to confirm that their instructions have been properly recorded.

Voting your proxy by mail, telephone or the Internet will not limit your right to vote at the Annual Meeting if you later decide to attend in person. If your shares are held in the name of a broker, bank or other record holder, you must obtain a proxy from the record holder as to how to vote your shares or obtain a proxy from the record holder to vote at the Annual Meeting.

Stockholders with shares registered directly in their name in our stock records maintained by our transfer agent, Computershare Trust Company, N.A., may vote their shares (1) by making a toll-free telephone call from the U.S. and Canada to Computershare at 1-800-652-VOTE (1-800-652-8683), (2) by submitting their proxy over the Internet at the following address on the World Wide Web: <http://www.computershare.com/expressvote>, or (3) by mailing their signed proxy card. Specific instructions to be followed by registered Stockholders are set forth on the enclosed proxy card. Proxies submitted by telephone or over the Internet as described above must be received by 5:00 p.m., eastern daylight time, on Monday, April 24, 2006.

Revocation of Proxies Submitted by Telephone or Internet

To revoke a proxy previously submitted by telephone or over the Internet, you may simply vote again at a later date, using the same procedures, in which case your later submitted vote will be recorded and your earlier vote revoked, or by attending the meeting and voting in person.

PROPOSAL 1. ELECTION OF DIRECTORS

Our Amended and Restated Certificate of Incorporation and the Bylaws provide for a board of directors whose number shall be fixed from time to time exclusively pursuant to a resolution adopted by the board of directors. Effective October 11, 2005, the board of directors elected Peter A. Cohen as a new director. Pursuant to our Bylaws, the term of any new director expires at the next annual meeting of stockholders, unless re-elected at such time.

Our Amended and Restated Certificate of Incorporation provides for a classified board of directors divided into three classes. Peter A. Cohen, Robert B. Millard and Arthur L. Simon currently constitute a class with a term that expires at the annual meeting in 2006 (the "Class III Directors"); Thomas A. Corcoran, Claude R. Canizares and Alan H. Washkowitz constitute a class with a term that expires at the annual meeting in 2007 (the "Class II Directors"); and Frank C. Lanza, John M. Shalikashvili and John P. White currently constitute a class with a term that expires at the annual meeting in 2008 (the "Class I Directors").

The full board of directors has considered and nominated the following slate of Class III nominees for a three year term expiring in 2009: Peter A. Cohen, Robert B. Millard and Arthur L. Simon. Action will be taken at the Annual Meeting for the election of these Class III nominees.

It is intended that the proxies delivered pursuant to this solicitation will be voted in favor of the election of Peter A. Cohen, Robert B. Millard and Arthur L. Simon, except in cases of proxies bearing contrary instructions. In the event that these nominees should become unavailable for election for any presently unforeseen reason, the person named in the proxy will have the right to use his discretion to vote for a substitute.

The following information describes the offices held, other business directorships and the class and term of each nominee and of each director whose term of office will continue after the 2006 Annual Meeting. Beneficial ownership of equity securities of the nominees is shown under the caption “Security Ownership of Management” on page 15.

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NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS IN 2006

Class III — Nominees for Terms Expiring in 2009

Name	Age	Principal Occupation And Other Information
Peter A. Cohen	59	Director since October 2005. Member of the compensation committee. Mr. Cohen is a founding and managing partner of Ramius Capital Group, LLC, a private investment management and merchant banking firm formed in 1994. Prior thereto, he formed Republic New York Securities, an investment management firm in 1991 and was employed by Shearson Lehman Brothers, an investment banking firm, from 1978 to 1991. At Shearson, Mr. Cohen held a number of executive positions, including President and Chief Operating Officer from 1981 through 1990, and Chairman and Chief Executive Officer from 1983 to 1990. He was also a director of Kroll, Inc. through June 2004 and is a director of Portfolio Recovery Associates, The Mount Sinai/NYU Medical Center and Health System and Scientific Games Corporation.
Robert B. Millard	55	Director since April 1997. Chairman of the compensation committee. Mr. Millard is a Managing Director of Lehman Brothers Inc., head of Lehman Brothers’ Principal Trading & Investments Group and principal of the Merchant Banking Group. Mr. Millard joined Lehman Brothers Inc. in 1978 when Kuhn Loeb & Co. was acquired by Lehman Brothers and became a Managing Director of Lehman Brothers Inc. in 1983. Mr. Millard joined Kuhn Loeb & Co. in 1976. Mr. Millard is a director of GulfMark Offshore, Inc. and Weatherford International, Inc.
Arthur L. Simon	74	

Director since April 2001. Member of the audit and nominating/corporate governance committees. Mr. Simon is an independent consultant. Before his retirement, Mr. Simon was a partner at Coopers & Lybrand L.L.P., Certified Public Accountants, from 1968 to 1994. He is a director of Loral Space & Communications Ltd and Loral Space & Communications Corp.

The nominees for election to the board of directors are hereby proposed for approval by the Stockholders. The affirmative vote of the holders of a majority of the shares present or represented and entitled to vote at the Annual Meeting will be necessary to approve each nominee.

The Board Of Directors Recommends A Vote FOR Each Of The Proposed Nominees For Election To The Board Of Directors.

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Directors Whose Terms Continue Beyond The 2006 Annual Meeting And Who Are Not Subject To Election This Year.

Class I — Directors Whose Terms Expire In 2008

Name	Age	Principal Occupation And Other Information
Frank C. Lanza	74	Chairman and Chief Executive Officer and Director since April 1997. From April 1996, when Loral Corporation was acquired by Lockheed Martin Corporation, until April 1997, Mr. Lanza was Executive Vice President of Lockheed Martin, a member of Lockheed Martin's Executive Council and Board of Directors and President and Chief Operating Officer of Lockheed Martin's command, control, communications and intelligence ('C3I') and Systems Integration Sector, which comprised many of the businesses Lockheed Martin acquired from Loral. Prior to the April 1996 acquisition of Loral, Mr. Lanza was President and Chief Operating Officer of Loral, a position he held since 1981. He joined Loral in 1972 as President of its largest division, Electronic Systems. His earlier experience was with DalmoVictor and Philco Western Development Laboratory.
John M. Shalikashvili	69	Director since August 1998. Member of the compensation and nominating/corporate governance committees. General Shalikashvili (U.S. Army-ret.) is an independent consultant and a Visiting Professor at Stanford University. General Shalikashvili was the senior officer of the United States military and principal military advisor to the President of

the United States, the Secretary of Defense and National Security Council by serving as the thirteenth Chairman of the Joint Chiefs of Staff, Department of Defense, for two terms from 1993 to 1997. Prior to his tenure as Chairman of the Joint Chiefs of Staff, he served as the Commander in Chief of all United States forces in Europe and as NATO's tenth Supreme Allied Commander, Europe (SACEUR). He has also served in a variety of command and staff positions in the continental United States, Alaska, Belgium, Germany, Italy, Korea, Turkey and Vietnam. General Shalikashvili is a director of The Boeing Company and Plug Power, Inc.

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Name	Age	Principal Occupation And Other Information
John P. White	69	<p>Director since October 2004. Member of the nominating/corporate governance committee. Dr. White is presently on the faculty of the John F. Kennedy School of Government of Harvard University and is the Managing Partner of Global Technology Partners, LLC. Dr. White has a long history of government service, serving as U.S. Deputy Secretary of Defense from 1995-1997; as Deputy Director of the Office of Management and Budget from 1978 to 1981, and as Assistant Secretary of Defense, Manpower, Reserve Affairs and Logistics from 1977 to 1978. Dr. White also served as a lieutenant in the United States Marine Corps from 1959 to 1961. Prior to his most recent government position, Dr. White was the Director of the Center For Business and Government at Harvard University and the Chairman of the Commission on Roles and Missions of the Armed Forces. Dr. White has extensive private sector experience, including service as Chairman and CEO of the Interactive Systems Corporation, a position he held from 1981 to 1988. Following Interactive Systems Corporation's sale to the Eastman Kodak Company in 1988, he was General Manager of the Integration and Systems Product Division and a Vice President of Kodak until 1992. Dr. White also spent nine years at the RAND Corporation, where he served as the Senior Vice President of National Security Research Programs and as a member of the Board of Trustees. He continues to serve as a Senior Fellow to the RAND Corporation. Dr. White is a current member of the Council on Foreign Relations. He also serves as a Director of IRG International, Inc., the Institute for Defense Analyses and the Concord Coalition and Center for Excellence in Government. He is a member of the Policy</p>

and Global Affairs Oversight Committee of the National Research Council.

Class II — Directors Whose Terms Expire In 2007

Name	Age	Principal Occupation And Other Information
Claude R. Canizares	60	Director since May 2003. Member of the audit committee. Since 1971, Professor Canizares has been a faculty member of the Massachusetts Institute of Technology (MIT). He currently serves as the Associate Provost and Bruno Rossi Professor of Experimental Physics, overseeing the MIT Lincoln Laboratory. In addition, he is a principal investigator on NASA's Chandra X-ray observatory and Associate Director of its science center. Professor Canizares is a member of the National Academy of Sciences, the International Academy of Astronautics and a fellow of the American Physical Society and the American Association for the Advancement of Science.

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Name	Age	Principal Occupation And Other Information
Thomas A. Corcoran	61	Director since July 1997. Chairman of the audit committee since April 27, 2004. Mr. Corcoran is also Chief Executive Officer of Corcoran Enterprises, LLC, a private management consulting firm, and in this capacity, he works closely with The Carlyle Group, a Washington D.C. based private equity firm. Mr. Corcoran has been a senior adviser to The Carlyle Group since 2004. From March 2001 to April 2004, Mr. Corcoran was the President and Chief Executive Officer of Gemini Air Cargo. Mr. Corcoran was the President and Chief Executive Officer of Allegheny Teledyne Incorporated from October 1999 to December 2000. From October 1998 to September 1999, he was President and Chief Operating Officer of the Space & Strategic Missiles Sector of Lockheed Martin Corporation. From March 1995 to September 1998 he was the President and Chief Operating Officer of the Electronic Systems Sector of Lockheed Martin Corporation. From 1993 to 1995, Mr. Corcoran was President of the Electronics Group of Martin Marietta Corporation. Prior to that he worked for General Electric for 26 years and from 1983 to 1993 he held various management positions with GE Aerospace and was a company officer from 1990 to 1993. Mr. Corcoran is a member of the Board of Trustees of Stevens Institute of

Technology and the Boards of Directors of American Ireland Fund, REMEC Corporation, United Industrial Corporation, Proxy Aviation Systems Inc. and Gemini Air Cargo.

Alan H. Washkowitz 65

Director since April 1997. Chairman of the nominating/corporate governance committee and member of the compensation committee. Mr. Washkowitz is a former Managing Director of Lehman Merchant Banking Group, and was responsible for the oversight of Lehman Brothers Inc. Merchant Banking Portfolio Partnership L.P. Mr. Washkowitz joined Lehman Brothers Inc. in 1978 when Kuhn Loeb & Co. was acquired by Lehman Brothers. Mr. Washkowitz is a director of Peabody Energy Corporation. Mr. Washkowitz retired from Lehman Merchant Banking Group effective July 2005 and is currently a private investor.

PROPOSAL 2. SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of the board of directors has selected PricewaterhouseCoopers LLP to act as our independent registered public accounting firm for the 2006 fiscal year, and a proposal to ratify this selection will be submitted to the Stockholders at the Annual Meeting. PricewaterhouseCoopers LLP has acted as our independent registered public accounting firm since our formation in 1997 and the audit committee and the board of directors believe it is desirable and in our best interests to continue to retain that firm. Representatives of PricewaterhouseCoopers LLP will be present at the Annual Meeting. Such representatives will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

If the foregoing proposal is not approved by the holders of a majority of the shares represented at the Annual Meeting, the selection of our independent registered public accounting firm will be reconsidered by the audit committee and the board of directors.

The Board of Directors Recommends a Vote FOR Ratification of the Appointment of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm.

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THE BOARD OF DIRECTORS AND CERTAIN GOVERNANCE MATTERS

Our board of directors directs the management of our business and affairs, as provided by Delaware law, and conducts its business through meetings of the board of directors and three standing committees: the audit, nominating/corporate governance and compensation committees. In addition, from time to time, special committees may be established under the direction of the board of directors when necessary to address specific issues. Each executive officer serves at the discretion of the board of directors.

The board of directors has affirmatively determined that all of the directors other than Mr. Lanza, including those who serve on the three standing committees of the board of directors, have no material relationship with us (either directly

or as a partner, shareholder, or officer of an organization that has a relationship with us) and are, therefore, “independent” for purposes of the NYSE listing standards. In addition, the board of directors has determined that Professor Canizares and Messrs. Corcoran and Simon, members of the audit committee, are also “independent” for purposes of Section 10A(m)(3) of the Securities and Exchange Act of 1934.

Pursuant to the requirements of the NYSE, the Board has adopted Corporate Governance Guidelines that meet or exceed the independence standards of the NYSE. Also, as part of our Corporate Governance Guidelines, the board of directors has adopted categorical standards to assist it in evaluating the independence of each of its directors. The categorical standards, which are set forth as Exhibit B to this proxy statement, are intended to assist the board of directors in determining whether or not certain relationships between our directors and us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us) are “material relationships” for purposes of the NYSE independence standards. The categorical standards establish thresholds at which such relationships are deemed to be not material.

In October 2005 our board of directors elected Peter A. Cohen as a director. In connection with our acquisition of The Titan Corporation in July of 2005, Mr. Lanza, our Chairman and Chief Executive Officer, met Mr. Cohen, the lead director of The Titan Corporation, on a number of occasions. Following the acquisition, Mr. Lanza approached Mr. Washkowitz, the Chairman of the Nominating/Corporate Governance Committee, and advised him that he believed that Mr. Cohen would be a valuable addition to L-3’s board of directors. Mr. Lanza also approached Mr. Millard, who knew Mr. Cohen from previous business activities, to discuss adding Mr. Cohen to the Board. Messrs. Washkowitz, Simon and White, members of the Nominating/Corporate Governance Committee, each met separately with Mr. Cohen to explore the possibility of Mr. Cohen joining L-3’s board of directors. Following their meetings, the Committee met and voted unanimously to recommend to the Board that the full Board nominate Mr. Cohen to the L-3 board of directors. At the October 2005 Board meeting, the board of directors unanimously elected Mr. Cohen as a member of the Board.

Directors are expected to attend board meetings, meetings of the committees on which they serve, and to spend the time needed, and meet as frequently as necessary, to properly discharge their responsibilities. In addition, to the extent reasonably practicable, directors are expected to attend shareholder meetings. During the fiscal year ended December 31, 2005, the board of directors held four regularly scheduled meetings in person and eight special meetings. Each director attended at least 75% of the combined number of meetings of the board of directors and meetings of committees on which he served during the past fiscal year. All of our current directors (other than General Shalikashvili and Mr. Cohen, who was not yet a director) attended our annual shareholder meeting in April 2005.

In accordance with applicable NYSE listing requirements, our independent directors hold regular executive sessions at which management, including the Chief Executive Officer, is not present. The presiding director of these executive sessions rotates among the chairs of the standing committees of the board of directors.

Audit Committee

The audit committee currently consists of Professor Canizares and Messrs. Corcoran (Chairman) and Simon. This committee met 17 times during 2005. The audit committee is generally responsible for, among other things:

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- selecting, appointing, compensating, retaining, and terminating our independent registered public accounting firm;

- overseeing the auditing work of any independent registered public accounting firm employed by us (including the resolution of any disagreement between management and the independent registered public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services;
- pre-approving both audit and permitted non-audit services to be performed by the independent registered public accounting firm and related fees;
- meeting with our independent registered public accounting firm to review the proposed scope of the annual audit of our financial statements;
- reviewing the findings of the independent registered public accounting firm with respect to the annual audit;
- meeting to review and discuss with management and the independent registered public accounting firm our periodic financial reports prior to our filing them with the SEC and reporting annually to the board of directors with respect thereto; and
- reviewing with our financial and accounting management, the independent registered public accounting firm and internal auditor the adequacy and effectiveness of our internal control over financial reporting, financial reporting process and disclosure controls and procedures.

The board of directors has determined that all of the members of the audit committee are financially literate and meet the independence requirements mandated by the NYSE listing standards.

In addition, the board of directors has determined that Mr. Simon is an “audit committee financial expert,” as defined by Item 401(h)(2) of Regulation S-K.

Compensation Committee

The compensation committee currently consists of General Shalikashvili and Messrs. Cohen, Millard (Chairman), and Washkowitz. This committee, which had five meetings during 2005, is responsible for administering our 1997 Stock Option Plan for Key Employees (the “1997 Plan”), our 1998 Directors Stock Option Plan for Non-Employee Directors (the “1998 Directors Plan”) and our 1999 Long Term Performance Plan (the “1999 Plan”) and has limited authority to adopt amendments to those plans.

This committee is also responsible for, among other functions:

- reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer compensation;
- evaluating the performance of the Chief Executive Officer in light of these criteria and, either as a committee or together with other independent directors (as directed by the board of directors), determining and approving the annual salary, bonus, stock options and other benefits, direct and indirect, of the Chief Executive Officer based on such evaluation;
- reviewing and making recommendations to the board of directors with respect to non-Chief Executive Officer compensation, L-3’s incentive-compensation and equity-based plans that are subject to the approval of the board of directors, and overseeing the activities of the individuals responsible for administering those plans; and
- reviewing and approving all equity compensation plans of L-3 that are not otherwise subject to the approval of L-3’s shareholders.

Nominating/Corporate Governance Committee

The nominating/corporate governance committee currently consists of General Shalikashvili and Messrs. Simon, Washkowitz (Chairman) and White. This committee, which met three times during 2005, monitors corporate governance policies and procedures and serves as the nominating committee for the board of directors.

The primary functions performed by this committee include, among other responsibilities:

- developing, recommending and monitoring corporate governance policies and procedures for L-3 and the board of directors;
- recommending to the board of directors criteria for the selection of new directors;
- identifying and recommending to the board of directors individuals to be nominated as directors;
- evaluating candidates recommended by shareholders in a timely manner;
- conducting all necessary and appropriate inquiries into the backgrounds and qualifications of possible candidates;
- overseeing the evaluation of the board of directors and management; and
- overseeing and approving the management continuity planning process.

The nominating/corporate governance committee will consider candidates for nomination as a director recommended by stockholders, directors, officers, third party search firms and other sources. In identifying candidates for membership on the board of directors, the nominating/corporate governance committee takes into account (a) minimum individual qualifications, such as strength of character, mature judgment, industry knowledge or experience and an ability to work collegially with the other members of the board of directors, and (b) all other factors it considers appropriate. After conducting an initial evaluation of a candidate, the committee will interview that candidate if it believes the candidate might be suitable to be a director and may also ask the candidate to meet with other directors and management. If the nominating/corporate governance committee believes a candidate would be a valuable addition to the board of directors, it will recommend to the full board that candidate's election.

The nominating/corporate governance committee will review all candidates in the same manner, regardless of the source of the recommendation. Individuals recommended by stockholders for nomination as a director will be considered in accordance with the procedures described under "Stockholder Proposals and Nominations."

Committee Charters and Corporate Governance Guidelines

The board of directors has adopted a charter for each of its three standing committees and corporate governance guidelines that address the make-up and functioning of the board of directors. You can find links to these materials on our website at: <http://www.L-3com.com>. A copy of such materials may also be obtained without charge upon request from our Secretary.

Code of Ethics and Business Conduct

The board of directors has adopted a code of ethics and business conduct that applies to all of our employees, officers and directors. You can obtain a copy of such code without charge upon request from our Secretary. You can find a link to such code on our website at <http://www.L-3com.com>. In accordance with, and to the extent required by, the rules and regulations of the Securities and Exchange Commission, we intend to post on our website waivers or implied waivers (as such terms are defined in Item 5.05 of Form 8-K of the Securities and Exchange Act of 1934) and amendments of the code of ethics and business conduct that apply to any of our directors, executive officers (including our principal executive officer and principal financial officer), principal accounting officer, controller or other persons performing similar functions.

Compensation of Directors

The directors who are also our employees or employees of our subsidiaries or affiliates do not receive compensation for their services as directors. The following table shows non-employee director compensation as currently determined by our board of directors upon the recommendation of the Compensation Committee.

Annual board retainer	\$	50,000 ⁽¹⁾
Annual audit committee chair retainer	\$	7,500
Annual compensation committee chair retainer	\$	5,000
Annual nominating/corporate governance committee chair retainer	\$	5,000
Payment per board meeting attended	\$	1,500
Payment per audit committee meeting attended	\$	2,000
Payment per compensation committee meeting attended	\$	1,500
Payment per nominating/corporate governance committee meeting attended.	\$	1,500